

TAB 7

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

COMBUSTION ENGINEERING, INC.,

Debtor.

Chapter 11

Case No. 03-10495 (JKF)

Objection Deadline: 7/21/03 at 4:00 p.m.

Hearing Date: 8/22/03 at 1:00 p.m.

**APPLICATION FOR AN ORDER AUTHORIZING EXTENSION OF THE RETENTION
AND EMPLOYMENT OF CIBC WORLD MARKETS CORP. AS FINANCIAL
ADVISOR TO DAVID T. AUSTERN AS FUTURE CLAIMANTS' REPRESENTATIVE
PURSUANT TO SECTION 1103(a) OF THE BANKRUPTCY CODE**

Pursuant to Section 1103(a) of Title 11 of the United States Code (the "Bankruptcy Code"), David T. Austern, Future Claimants' Representative for the future asbestos claimants in the above-captioned case (the "FCR"), submits this application (the "Application") for the entry of an Order authorizing and approving the extension of the retention and employment of CIBC World Markets Corp. ("CIBC") as financial advisor to the FCR. In support of this Application, the FCR respectfully represents as follows:

Jurisdiction and Venue

1. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue in this proceeding and with respect to this Application is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

2. The statutory basis for the relief sought herein is Section 1103(a) of the Bankruptcy Code.

Background and Status of the Debtor's Case

3. On February 17, 2003 (the "Petition Date"), Combustion Engineering, Inc. (the "Debtor") filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

4. On February 19, 2003, the Debtor filed its pre-packaged disclosure statement and plan of reorganization (the "Plan"). In response to the Debtor's request for expedited consideration of its Plan, the Court held the confirmation hearing on the Debtor's Plan over several days in April and May, 2003. As part of the confirmation hearing, the Court heard testimony from Joseph J. Radecki, Jr., a Managing Director of CIBC. The record for the confirmation hearing is closed and the Court recently issued its rulings.

5. Prior to the Petition Date, in connection with his due diligence and analysis of the Plan and related documents, the FCR retained CIBC to provide financial advisory services with respect to the financial condition of the Debtor's ultimate corporate parent, ABB Ltd. ("ABB"), and the value of certain securities of ABB being offered to the asbestos claims settlement trust to be formed under the Debtor's proposed plan.

6. On April 22, 2003, the Court authorized the FCR to continue to retain and employ CIBC to provide post-petition financial services in connection with the Debtor's chapter 11 case. The terms and conditions of CIBC's continued employment were mutually agreed upon by letter dated March 24, 2003 (the "Retention Letter") and were approved by the Court in the Order entered on April 22, 2003 (Docket No. 603).

7. At the time the Retention Letter was signed, all parties expected the Debtor's chapter 11 case and implementation of a trust as contemplated under Section 524(g) of the Bankruptcy Code (the "Transaction") to continue on a fast track. Enumerated paragraph six of the Retention Letter includes a provision that, in the event such Transaction were not

implemented by June 30, 2003, all parties may agree to an alternative compensation agreement.

A copy of the Retention Letter is attached hereto as Exhibit A.

8. Under the Retention Letter, CIBC was to be paid \$25,000 each month beginning in March 2003 until the month of the confirmation of a restructuring plan and \$75,000 for the month of confirmation. The confirmation process and hearing was more extended than the FCR and the Debtor had anticipated and the Transaction will not be implemented by June 30, 2003. However, CIBC incurred significant time and expense in April and May 2003 in connection with Mr. Radecki's testimony at deposition and at the confirmation hearing before this Court.

9. The FCR continues to need financial advice during the pendency of the Debtor's chapter 11 proceedings, and CIBC is well suited to provide such advice because of its familiarity with the Debtor's business and financial affairs. Specifically, the FCR anticipates a need for CIBC's services as these proceedings continue, including any confirmation hearing before the United States District Court and preparing for the effective date of the Debtor's plan. Accordingly, the parties seek to extend the terms and conditions of the Retention Letter and to modify the terms of CIBC's compensation. A copy of the amended retention letter between the FCR and CIBC (the "Amended Retention Letter") is attached hereto as Exhibit B.

10. The Amended Retention Letter sets out a compensation arrangement that is essentially a continuation of the arrangement established in the Retention Letter. The compensation set forth in the Retention Letter for March and April 2003 remains the same. From May 1, 2003 forward, the Amended Retention Letter provides that CIBC shall be paid in cash by the Debtor, as full payment for services rendered and to be rendered, as follows:

- a. \$75,000 for the month of May, 2003—the month in which Mr. Radecki testified at the confirmation hearing;
- b. \$25,000 for each month beginning with June, 2003, except as provided in item (c) below, until the month of the effective date of a Chapter 11 plan of reorganization for the Company; and

- c. \$75,000 for the month in which a confirmation hearing occurs before the United States District Court.

11. If the United States District Court confirms the Debtor's plan of reorganization and/or affirms this Court's confirmation order, the FCR anticipates a need for CIBC's services in connection with the closing of the transactions contemplated by the plan. Accordingly, the parties have agreed that CIBC will be entitled to continue to receive compensation of \$25,000 for each month after the confirmation date through and including the month in which the effective date of the plan occurs.

12. If, after the confirmation date and before the effective date under the plan, CIBC's level of activity decreases and the plan and the transactions contemplated by the plan are not consummated (whether as a result of a stay, the parties not waiving conditions to the effective date, or otherwise), the FCR and the Debtor each reserves the right to request that the Court adjust CIBC's monthly compensation prospectively, subject to prior consultation among the parties and CIBC.

Relief Requested

13. By this Application, the FCR respectfully requests an order authorizing him, pursuant to Section 1103(a) of the Bankruptcy Code, to extend the retention and employment of CIBC as financial advisor to the FCR. Given that the Transaction will not be implemented by June 30, 2003, the FCR has asked CIBC to continue the work they performed both pre and post-petition. The FCR and CIBC have mutually agreed to extend and modify CIBC's retention as set forth in the Amended Retention Letter, and the Debtor has concurred, subject to the terms of this Application and to the Court's approval.

Basis for the Relief Sought

14. As a result of its pre and post petition work, CIBC is familiar with ABB's business, operations and management, and financial affairs, as well as the Debtor's proposed plan of reorganization and the other plan documents. Accordingly, the FCR believes the continued retention of and compensation to CIBC is important to the FCR's role in the case, that CIBC is well suited to assist the FCR as his financial advisor during the chapter 11 process, and that the continued retention of CIBC is necessary and in the best interests of the FCR, the Debtor, its estate and its creditors.

No Prior Request

15. Except for the original application to employ CIBC, no prior application for the relief sought herein has been made to this or any other Court.

Notice

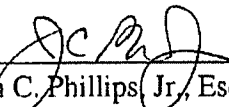
16. Notice of this Motion has been provided to: (1) counsel for the Debtor; (2) the Office of the United States Trustee; (3) counsel for the Official Committee of Unsecured Creditors; and (4) any party who has entered their appearance in this case as of July __, 2003, pursuant to Bankruptcy Rule 2002. Accordingly, the FCR believes that such notice of the Application is appropriate and sufficient.

Conclusion

WHEREFORE, the FCR respectfully requests that the Court enter an order, substantially in the form attached hereto as Exhibit C: (1) granting this Application; (2) authorizing the FCR to continue to retain and employ CIBC pursuant to the terms and conditions of the Retention Letter and the Amended Retention Letter as his financial advisor in this chapter 11 case pursuant to Section 1103(a) of the Bankruptcy Code, in accordance with the terms set forth in this Application; and (3) granting such other and further relief as is appropriate.

Respectfully submitted,

PHILLIPS, GOLDMAN & SPENCE, P.A.

By: 
John C. Phillips, Jr., Esquire (#110)
1200 North Broom Street
Wilmington, DE 19806
(302) 655-4200
(302) 655-4210 (fax)

Roger Frankel, Esquire
Richard H. Wyron, Esquire
SWIDLER BERLIN SHEREFF FRIEDMAN LLP
3000 K Street, NW, Suite 300
Washington, DC 20007
(202) 424-7500

Dated: July 2, 2003

Bankruptcy Counsel to David T. Austern
As Future Claimants' Representative

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

)	
In re:)	
)	Chapter 11
COMBUSTION ENGINEERING, INC.,)	Case No. 03-10495 (JKF)
)	
Debtor.)	Objection Deadline: 7/21/03 at 4:00 p.m.
)	Hearing Date: 8/22/03 at 1:00 p.m.

**NOTICE OF APPLICATION FOR AN ORDER AUTHORIZING EXTENSION OF
THE RETENTION AND EMPLOYMENT OF CIBC WORLD MARKETS CORP.
AS FINANCIAL ADVISOR TO DAVID T. AUSTERN AS FUTURE
CLAIMANTS' REPRESENTATIVE, PURSUANT TO SECTION 1103(a)
OF THE BANKRUPTCY CODE**

David T. Austern, as Claimants' Representative for the future asbestos claimants in the above-captioned case (the "Claimants' Representative") has submitted an Application for an Order Authorizing Extension of the Retention and Employment of CIBC World Markets Corp. as Financial Advisor to David T. Austern as Claimants' Representative, pursuant to Section 1103(a) of the Bankruptcy Code (the "Application").

You are required to file a response to the attached Application on or before July 21, 2003, and serve it on the following:


John C. Phillips, Jr., Esquire
Phillips, Goldman & Spence, P.A.
1200 North Broom Street
Wilmington, DE 19806
Local Bankruptcy Counsel to David T. Austern
As Future Claimants' Representative

Laura Davis Jones, Esquire
Pachulski Stang Ziehl Young Jones & Weintraub, PC
919 North Market Street, 16th Floor
P.O. Box 8705
Wilmington, DE 19899-8705
Counsel to the Debtor

Richard L. Schepacarter, Esquire
Office of the United States Trustee
844 N. King Street, 2nd Floor
Wilmington, DE 19801

IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED BY THE APPLICATION WITHOUT FURTHER NOTICE OR HEARING.

PHILLIPS, GOLDMAN & SPENCE, P.A.



JOHN C. PHILLIPS, JR., ESQUIRE (#110)
1200 North Broom Street
Wilmington, DE 19806
(302) 655-4200
(302) 655-4210 (fax)
Local Bankruptcy Counsel to
David T. Austern as Future Claimants'
Representative

Dated: July 2, 2003

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

COMBUSTION ENGINEERING, INC.,

Debtor.

Chapter 11

Case No. 03-10495 (JKF)

**ORDER AUTHORIZING EXTENSION OF THE RETENTION AND EMPLOYMENT
OF CIBC WORLD MARKETS CORP. AS FINANCIAL ADVISOR TO DAVID T.
AUSTERN AS FUTURE CLAIMANTS' REPRESENTATIVE PURSUANT
TO SECTION 1103(a) OF THE BANKRUPTCY CODE**

Upon the application (the "Application") of David T. Austern, Future Claimants' Representative (the "FCR") for the future asbestos claimants in the above-captioned chapter 11 case of Combustion Engineering, Inc. (the "Debtor"), seeking entry of an Order under section 1103(a) of the Bankruptcy Code authorizing the FCR to extend the retention and employment of CIBC World Markets Corp. ("CIBC") as financial advisor to the FCR; and the Court having reviewed the Application, and the Court being satisfied with the representations made in the Application; and it appearing that the relief requested is in the best interest of the FCR and the Debtor's estate, its creditors and other parties-in-interest; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 158(a); and it appearing that notice of the Application was good and sufficient under the particular circumstances and that no other or further notice need be given and upon the record herein; and it appearing that the terms and conditions of CIBC's continued employment as further described in the Application are reasonable and necessary; it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Application be, and it hereby is, approved;

2. Pursuant to Section 1103(a) of the Bankruptcy Code, the FCR be, and he hereby is, authorized to extend the retention and employment of CIBC as financial advisor through and including the month of the effective date on the Debtor's plan, upon the terms and conditions set forth in the Application, the Retention Letter and the Amended Retention Letter (each as defined in the Application), so long as David T. Austern serves as the legal representative for individuals who may assert asbestos-related claims and/or demands in the future against the Debtor;

3. The indemnification provisions of the Retention Letter are approved, subject during the pendency of the Debtor's bankruptcy case to the following:

(a) subject to the provisions of subparagraph (b) below, the Debtor is authorized to and shall indemnify, defend and hold harmless any Indemnified Party (as defined in the Retention Letter) in accordance with the Retention Letter, provided, however, that indemnification therefore is approved by the Court;

(b) notwithstanding any provisions of the Retention Letter to the contrary, the Debtor shall have no obligation to indemnify an Indemnified Party or provide contribution or reimbursement to an Indemnified Party for any claim or expense that is either (i) judicially determined to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of an Indemnified Party, or (ii) settled prior to a judicial determination as to an Indemnified Party's willful misconduct, gross negligence, bad faith or self-dealing, but determined by the Court, after notice and a hearing pursuant to paragraph (c) below, to be a claim or expense for which an Indemnified Party should not receive indemnity, contribution or reimbursement under the terms of the Retention Letter as modified by this Order;

(c) if, before the earlier of (i) the entry of an order confirming a chapter 11 plan in this case (that order having become a final order and no longer subject to appeal), and (ii) the entry of an order closing this chapter 11 case, an Indemnified Party believes that he, she

or it is entitled to payment of any amounts by the Debtor on account of the Debtor's indemnification, contribution and/or reimbursement obligations under this Order, including, without limitation, the advancement of defense costs, such Indemnified Party must file an application for such amounts in this Court, and the Debtor may not pay any such amounts to the Indemnified Party before the entry of an order by this Court approving the payment. The preceding sentence is intended to specify the period of time under which this Court shall have jurisdiction over any request for fees and expenses by an Indemnified Party for indemnification, contribution or reimbursement, and is not a limitation on the duration of the Debtor's obligation to indemnify any Indemnified Party;

(d) in the event that a cause of action is asserted against an Indemnified Party arising out of or relating to the performance of his, her or its duties as financial advisor to the FCR, the Indemnified Party shall have the right to choose his own counsel;

4. CIBC shall be compensated in accordance with the terms of the Retention Letter and the Amended Retention Letter, subject to the procedures set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules and any orders of this Court, including the administrative order establishing procedures for interim compensation for professionals (Docket No. 228); provided, however, that CIBC may submit records in a summary format which shall set forth a description of the work performed by each professional rendering services on behalf of the FCR and, therefore, the information requirements of Del. Bankr. LR 2016-2 are hereby modified and waived, to the extent necessary, with respect to CIBC. Notwithstanding anything to the contrary herein or in the Retention Letter or the Amended Retention Letter, all of CIBC's fees and expenses shall be subject to approval by the Court under a reasonableness standard upon proper application by CIBC; provided, however,

that the approval of the reasonableness of CIBC's fees shall not be evaluated on an hourly or length of case based criteria;

5. The fees and expenses of CIBC allowed by the Court shall be an administrative expense of the Debtor's estate;

6. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order; and

7. Nothing in this order authorizes, approves or affects liability for transfers that are or may be avoidable under 11 U.S.C. §§ 544-550 inclusive.

Judith K. Fitzgerald
United States Bankruptcy Judge

Dated: Wilmington, Delaware
_____, 2003



CIBC World Markets Corp
125 Lexington Avenue
New York, NY 10017
Tel: 212-885 4400
Fax: 212-885-4998

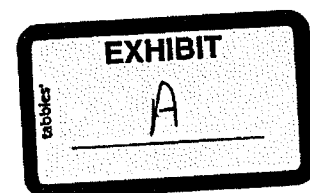
March 24, 2003

David I. Austern, Esquire
Claims Resolution Management Corp.
8260 Willow Oaks Corporate Drive, Suite 600
Fairfax, Virginia 22031

Dear Mr. Austern:

As you know, by letter dated December 5, 2002 (the "Pre-Petition Agreement"), Swidler Berlin Shereff Friedman, LLP ("SBSF"), your legal counsel in connection with Combustion Engineering, Inc. (the "Company"), retained CIBC World Markets Corp. ("CIBC" or "Financial Advisor") to act as financial advisor in connection with the legal advice SBSF provides to you. In accordance with the terms of the Pre-Petition Agreement, the Company, among other things, promised to pay CIBC's fees and to provide CIBC with certain indemnification rights. This will confirm that, in connection with your appointment by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") as the future representative for holders of future asbestos related claims and/or demands against the Company (the "Futures Representative"), you desire to retain CIBC, effective as of February 17, 2003, the date the Company filed its bankruptcy case, to continue the work it conducted under the Pre-Petition Agreement on your behalf prior to the Company's bankruptcy filing, on substantially the same terms and conditions as set forth in the Pre-Petition Agreement.

This letter agreement (the "Agreement") confirms that, effective as of February 17, 2003, you, as the Futures Representative to the Company, agree to retain, subject to approval of the Bankruptcy Court, CIBC to act as the Futures Representative's financial advisor in connection with a proposed restructuring of the Company and implementation of a trust as contemplated under Section 524(g) of the Bankruptcy Code (the "Transactions") in conjunction with ABB Ltd., the ultimate parent company of the Company, and its affiliates (collectively, "ABB"). You will undertake to apply to the Bankruptcy Court, which has jurisdiction over the Company's chapter 11 bankruptcy proceeding, for authorization to employ CIBC in accordance with the terms and conditions of this Agreement, with this Agreement attached as an exhibit to such application. Subject to the terms and conditions hereof, CIBC agrees to accept as compensation for the services that CIBC renders pursuant to the terms hereof such sums as may be allowed by the Bankruptcy Court for fees incurred for professional services and for reimbursement of reasonable and necessary expenses.



March 24, 2003
Page 2 of 9

CIBC World Markets Corp

1. Retention Subject to approval by the Bankruptcy Court, the Futures Representative hereby retains CIBC to continue its pre-petition work in connection with the analysis of the financial position, cash flow requirements, financial history, operations, competitive environment, and assets of the Company and ABB. Additionally, CIBC will evaluate the financial effect of the implementation of any plan of reorganization upon the operations, assets and securities of the Company and ABB including, but not limited to, the liquidity and creditworthiness of ABB, its bank and public bond debt and the common stock of ABB. CIBC will also assist the Futures Representative in the negotiation of items remaining outstanding from CIBC's pre-petition work, finalizing the terms of the Debtor's proposed plan of reorganization and related plan documents, as well as confirmation and implementation of the Debtor's pre-packaged plan.

2. Staffing The Futures Representative and CIBC agree that this engagement will be primarily staffed by Joseph J. Radecki, Jr., so long as he continues to be employed by CIBC. CIBC will also provide appropriate levels of staffing to complete the engagement in a timely and commercially reasonable manner.

3. Information on the Company In connection with the Financial Advisor's activities hereunder, the Company and ABB will furnish to us upon request all material and information regarding the business and financial condition of the Company (all such information so furnished being the "Information"). It is recognized and confirmed that CIBC: (a) will use and rely primarily on the Information, and on information available from generally recognized public sources in performing the services contemplated by this letter without having independently verified the same;; (b) does not assume responsibility for the accuracy or completeness of the Information and such other information; (c) will not make an appraisal of any assets of the Company; and (d) retains the right to continue to perform due diligence during the course of the engagement. The Financial Advisor will consider all work with respect to this matter to be confidential, and all work performed under the Pre-Petition Agreement between CIBC and SBSF shall remain protected from disclosure by, among other protections, the attorney-client privilege and/or the attorney work product doctrine. The Financial Advisor shall not disclose any such information to any other person or entity, except as expressly permitted pursuant to the separate confidentiality agreement executed contemporaneously herewith.

4. Use of Name The Futures Representative and the Company agree that any reference to the Financial Advisor in any release or communication or materials distributed is subject to the Financial Advisor's prior written approval, unless such release or communication is required by law or regulation. If the Financial Advisor resigns prior to the dissemination of any such release, communication or material, no reference shall be made therein to the Financial Advisor.

March 24, 2003

Page 3 of 9

CIBC World Markets Corp

5 Use of Advice No advice rendered by the Financial Advisor in connection with the services performed by the Financial Advisor pursuant to this Agreement will be quoted by the Futures Representative or the Company, nor will any such advice be referred to, in any report, document, release or other communication, whether written or oral, prepared, issued or transmitted by the Futures Representative, the Company or person or corporation controlling, controlled by or under common control with the Company or any director, officer, employee, agent or representative of the Company, without the prior written authorization of the Financial Advisor, except to the extent required by law (in which case the appropriate party shall so advise the other in writing prior to such use and shall consult with the other with respect to the form and timing of disclosure), provided that the foregoing shall not prohibit appropriate internal communication or reference with respect to such advice internally within such parties

6 Compensation In full payment for services rendered and to be rendered hereunder by CIBC, CIBC shall be paid in cash by the Company as follows, in addition to the payments received by CIBC pursuant to the Pre-Petition Agreement prior to the Company's bankruptcy filing:

- (a) Subject to approval by the Bankruptcy Court, a cash fee of \$25,000 for each month beginning with March 2003, until the month of the confirmation of a restructuring plan.
- (b) Subject to approval by the Bankruptcy Court, a cash fee of \$75,000 for the month of the confirmation of a restructuring plan

CIBC and the Futures Representative acknowledge that the compensation proposed has been accepted by all parties based on their understanding of the proposed Transaction. Should such Transaction not be implemented by June 30, 2003, all parties agree that they will seek to mutually agree, if possible, on an alternative compensation arrangement

7 Expenses Without in any way reducing or affecting the provisions of Exhibit A hereto, subject to approval by the Bankruptcy Court, the Company shall reimburse CIBC for its reasonable out-of-pocket expenses incurred in connection with the provision of services hereunder. Out-of-pocket expenses shall include, but not be limited to, travel and lodging, data processing and communication charges, and research and courier services

8 Liability for Fees and Expenses Subject to approval by the Bankruptcy Court, the Company shall be solely responsible for the payment of compensation and reimbursement of expenses to CIBC under this Agreement. The Futures Representative shall not be liable for the payment of any compensation or reimbursement of any expenses to CIBC hereunder

March 24, 2003
Page 4 of 9

CIBC World Markets Corp

9 Termination Provision This Agreement will be effective as of the date set out on the first page hereof. CIBC may resign at any time for cause (including the Company's failure to pay compensation or reimburse expenses (as and when due), and the Futures Representative may terminate CIBC's services at any time after the first three (3) months, each by giving 30 days notice to the other. If the Futures Representative terminates CIBC's services for any reason, CIBC shall be entitled to receive all of the amounts due pursuant to Sections 6 and 7 hereof, up to and including the effective date of such termination. If CIBC resigns, CIBC shall be entitled to receive all of the amounts pursuant to Sections 6 and 7 hereof, up to and including the effective date of such resignation.

10 Indemnification Subject to approval by the Bankruptcy Court, the Company agrees to indemnify CIBC in accordance with Schedule A annexed hereto, which confirms and continues the Company's indemnity obligations under the Pre-Petition Agreement.

11 Survival of Certain Provisions The indemnifications provided in Schedule A of this Agreement shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of the Financial Advisor, or by or on behalf of any affiliate of the Financial Advisor or any person controlling either, (b) the resignation of the Financial Advisor or any termination of the Financial Advisor's services or (c) any termination of this Agreement, and shall be binding upon, and shall inure to the benefit of, any successors, assigns, heirs and personal representatives of the Company and the Financial Advisor.

12 Notices Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered (a) if to the Futures Representative, at the address listed above; (b) if to CIBC, at the address of CIBC at 425 Lexington Avenue, 3rd Floor, New York, New York 10017, Attention: Joseph I. Radecki, Jr., Managing Director and (c) if to the Company, at 2000 Day Hill Road, Windsor, Connecticut 06095.

13 Counterparts This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

14 Assignment This Agreement may not be assigned by any party hereto without the prior written consent of the others, to be given in the sole discretion of the parties from whom such consent is being requested. Any attempted assignment of this Agreement made without such consent may be void, at the option of the non-assignment parties.

March 24, 2003
Page 5 of 9

CIBC World Markets Corp

15 Third Party Beneficiaries. This Agreement has been and is made solely for the benefit of the parties hereto, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement

16 Construction. This Agreement incorporates the entire understanding of the parties and supercedes all previous agreements relating to CIBC's post-petition engagement by the Futures Representative (except for obligations with respect to the confidentiality of documents); and shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of law

17 Headings. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not part of this Agreement

18 Press Announcements. At any time after the effective date of a Transaction, the Futures Representative, the Company or the Financial Advisor may place an announcement in such newspapers and publication as it may choose.

19 Amendment. This Agreement may not be modified or amended except in a writing duly executed by the parties hereto

March 24, 2003
Page 6 of 9

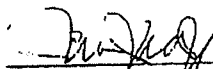
CIBC World Markets Corp

Please sign and return an original and one copy of this letter to the undersigned to indicate your acceptance of the terms set forth herein, whereupon this letter and your acceptance shall constitute a binding agreement between the parties hereto as of the date first above written

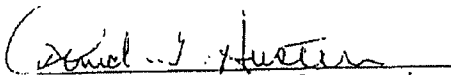
Sincerely,

CIBC WORLD MARKETS CORP

By:


Joseph J. Badecki, Jr.
Managing Director

Accepted and Agreed:


David T. Austern, Futures Representative

Combustion Engineering, Inc

By: _____

Its: _____

CIBC World Markets Corp

SCHEDULE A

Indemnity. In consideration of CIBC's agreement to act on behalf of the Futures Representative, notwithstanding any limitations set forth herein, subject to approval by the Bankruptcy Court, the Company agrees to indemnify and hold harmless CIBC, its agents, employees, officers and directors, and any person who controls CIBC within the meaning of Section 15 of the Securities Act of 1933 (the "Act") or Section 20 of the Securities Exchange Act of 1934, as amended (each, an "Indemnified Party" and collectively, the "Indemnified Parties"), from and against any and all losses, claims, judgments, damages, liabilities and expenses (including, but not limited to, all reasonable legal expenses, and any and all other expenses incurred in investigating, preparing or defending against any action or proceeding, commenced or threatened, whether or not any Indemnified Party is a named party) to which, jointly or severally, they may become subject, which arise out of or are based upon or in connection with (i) any transaction contemplated by this Agreement and/or the Pre-Petition Agreement, the retention of CIBC under this Agreement and/or the Pre-Petition Agreement, the performance of services by CIBC hereunder, under the Pre-Petition Agreement, or any involvement or alleged involvement of CIBC in the Transaction, or (ii) any untrue statement of fact contained in any document furnished or made available by the Company, directly by the Company or through CIBC or otherwise, or any omission to state therein a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, no Indemnified Party shall be entitled to indemnification under this Schedule A with respect to any action, suit or proceeding in which a final judgment (after all appeals or the expiration of time to appeal) is entered to the extent based upon his gross negligence or willful malfeasance ("Disabling Conduct") and any payment or reimbursement made to such Indemnified Party by the Company in connection with any such action or proceeding will be repaid by such Indemnified Party to the Company.

If any action or proceeding (including any governmental proceeding) is brought or asserted against an Indemnified Party in respect of which indemnity may be sought against the Company, such Indemnified Party shall promptly notify the Company in writing of the institution of such action or proceeding (with a copy to the Futures Representative). Each Indemnified Party shall give the Company (with a copy to the Futures Representative) prompt notice upon becoming aware of any claim for which indemnity or contribution may be sought hereunder; failure to provide such notice will not, however, relieve the Company from any obligation or liability it has hereunder or otherwise, except to the extent such failure causes the Company to forfeit material rights. The Company, at its option, may assume the defense of any such claim with counsel reasonably satisfactory to CIBC, except if such Indemnified Party has been advised by counsel that, due to a conflict of interest or because there may be legal defenses available to such Indemnified Party that are different from or additional to defenses available to the Company, separate counsel for the Company and such Indemnified Party is advisable. In

CIBC World Markets Corp

which case the reasonable fees and expenses of CIBC's counsel shall be at the expense of the Company; provided, that, upon invoking such option the Company shall unconditionally and irrevocably commit in writing to bear all risk with respect to such claim and to keep such Indemnified Party informed of the progress of any such claim.

The Company agrees that, without the prior written consent of each of the relevant Indemnified Parties, it will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought hereunder (whether or not such Indemnified Parties are actual or potential parties to such claim, action or proceeding), (i) that involves any equitable relief that binds or purports to bind such Indemnified Parties and (ii) unless such settlement, compromise or consent includes an unconditional release for such Indemnified Parties from all liability arising out of such claim, action or proceeding. CIBC and each such Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of CIBC or such Indemnified Party unless (a) the Company has agreed to pay such fees and expenses, or (b) the Company shall have failed to assume the defense of such action or proceeding. Unless the Company fails to assume the defense of an action or proceeding, the Company shall not be liable for any settlement of any such action or proceeding effected without its written consent (which shall not be unreasonably withheld or delayed), but if the Company has failed to assume such defense, if such claim is settled with the Company's written consent, or if there be a final judgment for the plaintiff in any such action or proceeding, the Company agrees to indemnify and hold harmless CIBC and any such Indemnified Party from and against any loss, liability, damage or expense by reason of such settlement or judgment.

If the indemnification provided for in this Schedule A is unavailable to an Indemnified Party in respect of any losses, claims, damages, liabilities and expenses referred to herein or insufficient to hold an indemnified person harmless (other than by reason of such Person's Disabling Conduct), then the Company agrees that in lieu of indemnifying such Indemnified Party, it shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by it on the one hand and the Indemnified Party on the other from the services rendered under this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Indemnified Party on the other in connection with the untrue statements or omissions or other actions (or alleged untrue statements, omissions or other actions) which resulted in such losses, claims, damages, liabilities and expenses, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Indemnified Party on the other shall be determined by reference to, among other things, whether such untrue statements or omissions or other actions (or alleged untrue

CIBC World Markets Corp

statements, commissions or other actions) relate to information supplied by action taken by the Company on the one hand or by the Indemnified Party on the other and the relevant persons' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statements, omissions or actions. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The Company and CIBC agree that it would not be just and equitable if contribution pursuant to this Schedule were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above.

The aforesaid indemnity and contribution agreements shall apply to any related activities engaged in by an Indemnified Party prior to this date and to any modification of CIBC's engagement hereunder, and shall remain in full force and effect regardless of any investigation made by or on behalf of CIBC or any of its agents, employees, officers, directors or controlling persons and shall survive the termination of this Agreement, the Pre-Petition Agreement, or the consummation of a Transaction. The Company agrees promptly to notify CIBC of the commencement of any litigation or proceeding against it or any of its directors, officers, agents or employees in connection with the transactions contemplated hereby. The agreements contained in this Schedule A shall remain in full force and effect following the completion or termination of CIBC's engagement hereunder and shall be in addition to any liability that the Company may otherwise have to CIBC and its agents, employees, officers, directors or controlling persons.

The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company, its owners, creditors or security holders for or in connection with advice or services rendered or to be rendered by CIBC pursuant to this Agreement, the Pre-Petition Agreement, the Transaction contemplated hereby or any Indemnified Party's actions or inactions in connection with any such advice, services or transactions except for liabilities (and related expenses) of the Company that are determined by a final judgment of a court of competent jurisdiction to have resulted primarily from such Indemnified Party's Disabling Conduct in connection with any such advice, actions, inactions or services.



CIBC World Markets Corp.
425 Lexington Avenue
New York, NY 10017
Tel: 212-885-4400
Fax: 212-885-4998

June 12, 2003

David T. Austern, Esquire
Claims Resolution Management Corp.
8260 Willow Oaks Corporate Drive, Suite 600
Fairfax, Virginia 22031

Dear Mr. Austern:

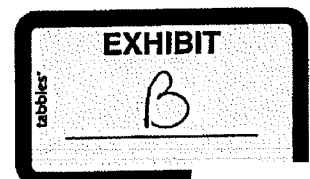
As you know, by letter dated March 24, 2003 (the "Retention Letter"), you, in your capacity as the Futures Representative for holders of future asbestos-related claims and demands against Combustion Engineering, Inc. (the "Company"), retained CIBC World Markets Corp. ("CIBC"), effective as of February 17, 2003, to act as your financial advisor in connection with the Company's Chapter 11 case.¹ The Retention Letter was a continuation of CIBC's prior retention by your counsel, Swidler Berlin Shereff Friedman, LLP. In the Retention Letter, the Company, among other things, promised to pay CIBC's fees and to provide CIBC with certain indemnification rights. CIBC's employment pursuant to the Retention Letter was approved by the Bankruptcy Court by Order entered April 22, 2003.

At the time the Retention Letter was signed, all parties expected the Company's Chapter 11 case and the implementation of a trust as contemplated under Section 524(g) of the Bankruptcy Code (the "Transaction") to continue on a fast track. The Retention Letter provided that, in the event such Transaction were not implemented by June 30, 2003, all parties may agree to an alternative compensation agreement. Because the Transaction has not continued as expeditiously as expected, such Transaction will not be implemented by June 30, 2003. Accordingly, this letter confirms the terms and conditions of a mutually agreeable alternative compensation agreement, and the terms and conditions of paragraph six of the Retention Letter are modified as described herein.

In addition to the payments provided for in the Retention Letter for periods prior to May 1, 2003, as full payment for services rendered and to be rendered hereunder by CIBC from May 1, 2003 forward, CIBC shall be paid in cash by the Company as follows:

- a. \$75,000 for the month of May, 2003;

¹ Capitalized terms used but not defined in this letter shall have the same meanings as in the Retention Letter.



Mr. David T. Austern
June 12, 2003
Page 2 of 3

CIBC World Markets Corp

- b. \$25,000 for each month beginning with June, 2003, except as provided in item (c) below, until the month of the effective date of a Chapter 11 plan of reorganization for the Company; and
- c. \$75,000 for the month in which a confirmation hearing occurs before the United States District Court.

Both we and you acknowledge that the compensation set forth above is based upon our mutual understanding of the proposed Transaction, and is subject to further modification by mutual agreement if a material change occurs in the anticipated level of effort required of CIBC prior to the effective date of a plan of reorganization.

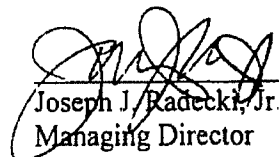
You will undertake to apply to the Bankruptcy Court, which has jurisdiction over the Company's chapter 11 bankruptcy proceeding, for authorization to modify the terms and conditions of CIBC's employment in accordance with the terms and conditions of this letter, with this letter attached as an exhibit to such application. Subject to approval of the terms and conditions hereof, CIBC agrees to accept as compensation for the services that CIBC renders pursuant to the terms hereof such sums as may be allowed by the Bankruptcy Court for fees incurred for professional services and for reimbursement of reasonable and necessary expenses. Except as paragraph six of the Retention Letter is modified by this letter, all provisions of the Retention Letter shall remain operative and in full force and effect.

Please sign and return one copy of this letter to the undersigned to indicate your acceptance of the terms set forth herein, whereupon this letter and your acceptance shall constitute a binding agreement between the parties hereto, subject to approval of the Bankruptcy Court, effective as of May 1, 2003.

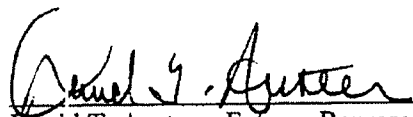
Sincerely,

CIBC WORLD MARKETS CORP.

By:


Joseph J. Radecki, Jr.
Managing Director

Accepted and Agreed:


David T. Austern, Futures Representative

Mr. David T. Austern
June 12, 2003
Page 3 of 3

CIBC World Markets Corp.

Combustion Engineering, Inc.

By: _____

Its: _____

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

COMBUSTION ENGINEERING, INC.,

Debtor.

Chapter 11

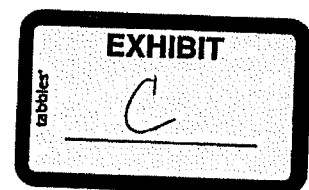
Case No. 03-10495 (JKF)

**ORDER AUTHORIZING EXTENSION OF THE RETENTION AND EMPLOYMENT
OF CIBC WORLD MARKETS CORP. AS FINANCIAL ADVISOR TO DAVID T.
AUSTERN AS FUTURE CLAIMANTS' REPRESENTATIVE PURSUANT
TO SECTION 1103(a) OF THE BANKRUPTCY CODE**

Upon the application (the "Application") of David T. Austern, Future Claimants' Representative (the "FCR") for the future asbestos claimants in the above-captioned chapter 11 case of Combustion Engineering, Inc. (the "Debtor"), seeking entry of an Order under section 1103(a) of the Bankruptcy Code authorizing the FCR to extend the retention and employment of CIBC World Markets Corp. ("CIBC") as financial advisor to the FCR; and the Court having reviewed the Application, and the Court being satisfied with the representations made in the Application; and it appearing that the relief requested is in the best interest of the FCR and the Debtor's estate, its creditors and other parties-in-interest; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 158(a); and it appearing that notice of the Application was good and sufficient under the particular circumstances and that no other or further notice need be given and upon the record herein; and it appearing that the terms and conditions of CIBC's continued employment as further described in the Application are reasonable and necessary; it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Application be, and it hereby is, approved;



2. Pursuant to Section 1103(a) of the Bankruptcy Code, the FCR be, and he hereby is, authorized to extend the retention and employment of CIBC as financial advisor through and including the month of the effective date on the Debtor's plan, upon the terms and conditions set forth in the Application, the Retention Letter and the Amended Retention Letter (each as defined in the Application), so long as David T. Austern serves as the legal representative for individuals who may assert asbestos-related claims and/or demands in the future against the Debtor;

3. The indemnification provisions of the Retention Letter are approved, subject during the pendency of the Debtor's bankruptcy case to the following:

(a) subject to the provisions of subparagraph (b) below, the Debtor is authorized to and shall indemnify, defend and hold harmless any Indemnified Party (as defined in the Retention Letter) in accordance with the Retention Letter, provided, however, that indemnification therefore is approved by the Court;

(b) notwithstanding any provisions of the Retention Letter to the contrary, the Debtor shall have no obligation to indemnify an Indemnified Party or provide contribution or reimbursement to an Indemnified Party for any claim or expense that is either (i) judicially determined to have resulted primarily from the willful misconduct, gross negligence, bad faith or self-dealing of an Indemnified Party, or (ii) settled prior to a judicial determination as to an Indemnified Party's willful misconduct, gross negligence, bad faith or self-dealing, but determined by the Court, after notice and a hearing pursuant to paragraph (c) below, to be a claim or expense for which an Indemnified Party should not receive indemnity, contribution or reimbursement under the terms of the Retention Letter as modified by this Order;

(c) if, before the earlier of (i) the entry of an order confirming a chapter 11 plan in this case (that order having become a final order and no longer subject to appeal), and (ii) the entry of an order closing this chapter 11 case, an Indemnified Party believes that he, she

or it is entitled to payment of any amounts by the Debtor on account of the Debtor's indemnification, contribution and/or reimbursement obligations under this Order, including, without limitation, the advancement of defense costs, such Indemnified Party must file an application for such amounts in this Court, and the Debtor may not pay any such amounts to the Indemnified Party before the entry of an order by this Court approving the payment. The preceding sentence is intended to specify the period of time under which this Court shall have jurisdiction over any request for fees and expenses by an Indemnified Party for indemnification, contribution or reimbursement, and is not a limitation on the duration of the Debtor's obligation to indemnify any Indemnified Party;

(d) in the event that a cause of action is asserted against an Indemnified Party arising out of or relating to the performance of his, her or its duties as financial advisor to the FCR, the Indemnified Party shall have the right to choose his own counsel;

4. CIBC shall be compensated in accordance with the terms of the Retention Letter and the Amended Retention Letter, subject to the procedures set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules and any orders of this Court, including the administrative order establishing procedures for interim compensation for professionals (Docket No. 228); provided, however, that CIBC may submit records in a summary format which shall set forth a description of the work performed by each professional rendering services on behalf of the FCR and, therefore, the information requirements of Del. Bankr. LR 2016-2 are hereby modified and waived, to the extent necessary, with respect to CIBC. Notwithstanding anything to the contrary herein or in the Retention Letter or the Amended Retention Letter, all of CIBC's fees and expenses shall be subject to approval by the Court under a reasonableness standard upon proper application by CIBC; provided, however,

that the approval of the reasonableness of CIBC's fees shall not be evaluated on an hourly or length of case based criteria;

5. The fees and expenses of CIBC allowed by the Court shall be an administrative expense of the Debtor's estate;

6. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order; and

7. Nothing in this order authorizes, approves or affects liability for transfers that are or may be avoidable under 11 U.S.C. §§ 544-550 inclusive.

Judith K. Fitzgerald
United States Bankruptcy Judge

Dated: Wilmington, Delaware
_____, 2003